



UNITED STATES PATENT AND TRADEMARK OFFICE

UNITED STATES DEPARTMENT OF COMMERCE
United States Patent and Trademark Office
Address: COMMISSIONER FOR PATENTS
P.O. Box 1450
Alexandria, Virginia 22313-1450
www.uspto.gov

APPLICATION NO.	FILING DATE	FIRST NAMED INVENTOR	ATTORNEY DOCKET NO.	CONFIRMATION NO.
-----------------	-------------	----------------------	---------------------	------------------

10/810,176

03/26/2004

Ronald S. Jankov

NLMI.P126

8012

30554 7590 07/31/2009
SHEMWELL MAHAMED I LLP
4880 STEVENS CREEK BOULEVARD
SUITE 201
SAN JOSE, CA 95129-1034

EXAMINER

WOOD, DAVID L

ART UNIT

PAPER NUMBER

3695

MAIL DATE

DELIVERY MODE

07/31/2009

PAPER

Please find below and/or attached an Office communication concerning this application or proceeding.

The time period for reply, if any, is set in the attached communication.

Office Action Summary	Application No. 10/810,176	Applicant(s) JANKOV ET AL.	
	Examiner David L. Wood	Art Unit 3695	

-- The MAILING DATE of this communication appears on the cover sheet with the correspondence address --

Period for Reply

A SHORTENED STATUTORY PERIOD FOR REPLY IS SET TO EXPIRE 3 MONTH(S) OR THIRTY (30) DAYS, WHICHEVER IS LONGER, FROM THE MAILING DATE OF THIS COMMUNICATION.

- Extensions of time may be available under the provisions of 37 CFR 1.136(a). In no event, however, may a reply be timely filed after SIX (6) MONTHS from the mailing date of this communication.
- If NO period for reply is specified above, the maximum statutory period will apply and will expire SIX (6) MONTHS from the mailing date of this communication.
- Failure to reply within the set or extended period for reply will, by statute, cause the application to become ABANDONED (35 U.S.C. § 133). Any reply received by the Office later than three months after the mailing date of this communication, even if timely filed, may reduce any earned patent term adjustment. See 37 CFR 1.704(b).

Status

- 1) ☒ Responsive to communication(s) filed on 10 June 2009 and 26 March 2004.
- 2a) ☐ This action is **FINAL**. 2b) ☒ This action is non-final.
- 3) ☐ Since this application is in condition for allowance except for formal matters, prosecution as to the merits is closed in accordance with the practice under *Ex parte Quayle*, 1935 C.D. 11, 453 O.G. 213.

Disposition of Claims

- 4) ☒ Claim(s) 1-19 and 26-37 is/are pending in the application.
- 4a) Of the above claim(s) _____ is/are withdrawn from consideration.
- 5) ☐ Claim(s) _____ is/are allowed.
- 6) ☒ Claim(s) 1-19 and 26-37 is/are rejected.
- 7) ☐ Claim(s) _____ is/are objected to.
- 8) ☐ Claim(s) _____ are subject to restriction and/or election requirement.

Application Papers

- 9) ☐ The specification is objected to by the Examiner.
- 10) ☒ The drawing(s) filed on 26 March 2004 is/are: a) ☒ accepted or b) ☐ objected to by the Examiner.
Applicant may not request that any objection to the drawing(s) be held in abeyance. See 37 CFR 1.85(a).
Replacement drawing sheet(s) including the correction is required if the drawing(s) is objected to. See 37 CFR 1.121(d).
- 11) ☐ The oath or declaration is objected to by the Examiner. Note the attached Office Action or form PTO-152.

Priority under 35 U.S.C. § 119

- 12) ☐ Acknowledgment is made of a claim for foreign priority under 35 U.S.C. § 119(a)-(d) or (f).
- a) ☐ All b) ☐ Some * c) ☐ None of:
- ☐ Certified copies of the priority documents have been received.
 - ☐ Certified copies of the priority documents have been received in Application No. _____.
 - ☐ Copies of the certified copies of the priority documents have been received in this National Stage application from the International Bureau (PCT Rule 17.2(a)).

* See the attached detailed Office action for a list of the certified copies not received.

Attachment(s)

- | | |
|--|---|
| 1) <input checked="" type="checkbox"/> Notice of References Cited (PTO-892) | 4) <input type="checkbox"/> Interview Summary (PTO-413)
Paper No(s)/Mail Date. _____ |
| 2) <input type="checkbox"/> Notice of Draftsperson's Patent Drawing Review (PTO-948) | 5) <input type="checkbox"/> Notice of Informal Patent Application |
| 3) <input type="checkbox"/> Information Disclosure Statement(s) (PTO/SB/08)
Paper No(s)/Mail Date _____ | 6) <input type="checkbox"/> Other: _____ |

DETAILED ACTION

Status of Claims

1. In response to a requirement for restriction, claims 20-25 have been canceled. Claims 1-19 and 26-37 are pending.
2. The Examiner notes that the application has been assigned to a new art unit to better match the claimed invention with a technology area for examination. This has required a reassignment of Examiner as well.

Claim Rejections - 35 USC § 112

3. The following is a quotation of the second paragraph of 35 U.S.C. 112:

The specification shall conclude with one or more claims particularly pointing out and distinctly claiming the subject matter which the applicant regards as his invention.
4. Claims 3-7, and 26-37 are rejected under 35 U.S.C. 112, second paragraph, as being indefinite for failing to particularly point out and distinctly claim the subject matter which applicant regards as the invention. The phrase "net material cost" has several possible meanings and it is unclear, even after reading the specification, exactly what the material costs are "net" of. Also, it would appear at least one meaning is a per-unit cost, but this is not stated. Costing is a field where there are many ways of determining costs which vary by at least the way of treating overhead cost allocations. Net cost may mean direct material costs plus allocated overhead. Or it may mean minus returns and allowances for rejects. Or it may mean something else, such as some negotiated cost figure minus royalty or plus mark-up additions. Since the specification suggests this last

Art Unit: 3695

meaning, but is not clearly limiting the definition to that, the boundaries of the term “net material cost” are indefinite. For the purposes of examination, any meaning for “cost” and “net material cost” is implied.

5. Claims 8-11, 33 and 34 are rejected under 35 U.S.C. 112, second paragraph, as being indefinite for failing to particularly point out and distinctly claim the subject matter which applicant regards as the invention. The term “retains” means or suggests that one keeps the item retained in their possession. One interpretation of a manufacturer retaining products would be that they keep them and do not sell them, but keep them off the market. The general sense of the term in the specification, however, is that the manufacturer retains for the purpose of selling and then stops retaining them upon sales. Since the claim as written opens up both possibilities, and they have different effects on sales, the intent of the claim is indeterminate. For purposes of examination, retaining with intent to sell within a reasonably short period is assumed.

Claim Rejections - 35 USC § 101

6. 35 U.S.C. 101 reads as follows:

Whoever invents or discovers any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof, may obtain a patent therefor, subject to the conditions and requirements of this title.

7. Claims 1-19 and 26-37 are rejected under 35 U.S.C. 101 because the claimed invention is directed to non-statutory subject matter. The claims disclose methods, which *are* a patentable category of invention. However, based on Supreme Court precedent and recent Federal Circuit decisions, a § 101 process must (1) be tied to another a particular machine or apparatus, or (2) transform underlying subject matter,

Art Unit: 3695

such as an article or materials, into a different state or thing. If neither of these requirements is met by the body of the claim, the method is not a patent eligible process under § 101 and is rejected as being directed to non-statutory subject matter. See *Diamond v. Diehr*, 450 U.S. 175, 184 (1981); *Parker v. Flook*, 437 U.S. 584, 588 n.9 (1978); *Gottschalk v. Benson*, 409 U.S. 63, 70-71 (1972); *Cochrane v. Deener*, 94 U.S. 780, 787-88 (1876); *Ex parte Langemyr* (BPAI No. 2008-1495, May 28, 2008), *In re Bilski*, 545 F.3d 943, 88 USPQ2d 1385 (Fed. Cir. 2008)(*en banc*). The Examiner would be happy to discuss this rejection, and ways of overcoming it, via telephone call, since the state of the law has been fluid in recent times. The Examiner does not find any of several common disclosures in the specification for ways of overcoming the rejection, which may require further communication to determine possible approaches.

Claim Rejections - 35 USC § 103

8. The following is a quotation of 35 U.S.C. 103(a) which forms the basis for all obviousness rejections set forth in this Office action:

(a) A patent may not be obtained though the invention is not identically disclosed or described as set forth in section 102 of this title, if the differences between the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains. Patentability shall not be negated by the manner in which the invention was made.

9. The factual inquiries set forth in *Graham v. John Deere Co.*, 383 U.S. 1, 148 USPQ 459 (1966), that are applied for establishing a background for determining obviousness under 35 U.S.C. 103(a) are summarized as follows:

1. Determining the scope and contents of the prior art.
2. Ascertaining the differences between the prior art and the claims at issue.
3. Resolving the level of ordinary skill in the pertinent art.

Art Unit: 3695

4. Considering objective evidence present in the application indicating obviousness or nonobviousness.
10. Claims 1-4, 7, 16-19, 26, 27, 29-31, and 37 rejected under 35 U.S.C. 103(a) as being unpatentable over Applicant's Admitted Prior Art, in view of Scherer, et al., "Post-TRIPS Options for Access to Patented Medicine in Developing Nations."
11. As to claim 1:
 - The Applicant has presented as prior art ("AAPA") (Specification pages 2-4, see MPEP § 2129):
 - *A method for transferring intellectual property (1P) between competing parties, comprising: generating a license agreement between the parties that includes a royalty rate, a mark-up rate, and a target division of manufactured products that include the IP; determining the mark-up rate as a second percentage of the cost of the component material of the manufactured products; and determining the target division of the manufactured products as a split of the products between the parties that results in a target net material cost.*
 - The Applicant does not admit as prior art, but Scherer discloses (page 11 – UK example):
 - *determining the royalty rate as a first percentage of a cost of a component material of the manufactured products;*
 - It would have been obvious to one of ordinary skill in the art at the time of the invention to combine the licensing/royalty/manufacturing system of the Applicant with the cost-based royalty of the Scherer UK example, because their

Art Unit: 3695

combination is a predictable use of prior art elements according to their established functions. The skilled artisan would be motivated to make the combination because upon reading the Scherer article, the teaching to use a cost-based royalty in a licensing/royalty system where the licensor and licensee are in competition may help from eroding prices as discussed in Scherer.

12. As to claim 2, the Applicant further admits as common prior practice (pages 2-4):

- wherein the parties include a manufacturer of the products and a licensor of the IP, the method further comprising: dividing the manufactured products between the manufacturer and the licensor in accordance with the target division, wherein the target division includes a demand division based on demand for the manufactured products; transferring royalty payments from the manufacturer to the licensor for each product retained by the manufacturer, wherein the royalty payments are determined using the royalty rate; and transferring mark-up payments from the licensor to the manufacturer for each manufactured product received by the licensor, wherein the mark-up payments are determined using the mark-up rate.

13. As to claims 3 and 4, using a definition of net material cost to mean the net total, it would have been obvious that an increasing quantity of material would cause an increase in cost, and a decrease in material a decrease in cost.

14. As to claim 7, it would have been within the skill of the ordinary artisan to utilize average cost calculations, because this is a simple and common element of cost accounting.

Art Unit: 3695

15. As to claims 16-19, the Applicant presents as prior art (pages 2-3):

- *wherein the component material is at least one of silicon and a silicon wafer.*
- *wherein the manufactured product is an integrated chip.*
- *wherein the IP includes at least one of technology, patents, and trade secrets.*
- *further comprising transferring the IP among the parties under the license.*

16. Claim 26 is rejected under the same reasoning as claim 1.

17. Claim 27 is rejected under the same reasoning as claim 2.

18. As to claim 29, the Applicant presents as prior art (page 2):

- *wherein the first party and the second party compete in a market for sales of the product*

19. Claim 30 is rejected under the combined reasoning of claims 26, 27, and 29.

20. Claim 31 is rejected under the combined reasoning of claims 3 and 4.

21. Claim 37 is rejected under the same reasoning as claim 18.

22. Claims 5, 6, 28, and 32 are rejected under 35 U.S.C. 103(a) as being unpatentable over AAPA and Scherer, as applied to claims 1, 26, and 30, further in view of Business Wire, "Forgent Announces the Results for the 2002 Fiscal Fourth Quarter and Fiscal Year End."

23. As to claim 5:

- AAPA and Scherer disclose the limitations of claim 1.

Art Unit: 3695

- Neither AAPA nor Scherer specifically disclose an equal split of net material cost.

But Business Wire provides the concept of splitting equally between partners

(first paragraph), and thus at least suggests:

- *wherein the target division results in a net material cost that is approximately equal for each of the parties*
- It would have been obvious to one of ordinary skill in the art at the time of the invention to combine the royalty system of AAPA and Scherer with the equal split disclosed in Business Wire, because their combination is a predictable use of prior art elements according to their established functions. The skilled artisan would be motivated to make the combination because splitting things equally between partners where each partner makes a significant contribution is a well-known technique to divide up costs or income or profits.

24. As to claim 6, if the total net material costs were equal, then the equation describing this would have to be: *wherein the parties include a manufacturer of the products and a licensor of the IP, wherein the target division is determined so that a first ratio of a number of products allocated to the licensor to a number of products allocated to the manufacturer is approximately equal to a second ratio of the royalty rate to the mark-up rate*

25. Claim 28 is rejected under the combined reasoning of claims 3, 4, and 5.

26. Claim 32 is rejected under the same reasoning as claim 5.

Art Unit: 3695

27. Claims 8-11, 33, and 34 are rejected under 35 U.S.C. 103(a) as being unpatentable over AAPA and Scherer, as applied to claims 1 and 30.

28. As to claim 8:

- AAPA and Scherer disclose the limitations of claim 1.
- Neither AAPA nor Scherer specifically disclose penalties. But Idra suggests (page 93-94 on Royalties, “The rate itself can be made to vary based on volume of sales (so that the more the licensee sells, the higher the rate becomes)...”):
 - *adding a penalty royalty to the royalty rate when a manufacturer of the products retains a number of products that exceeds a manufacturer's share of the target division*
- It would have been obvious to one of ordinary skill in the art at the time of the invention to combine the royalty system of AAPA and Scherer with the penalty disclosed in Idra, because their combination is a predictable use of prior art elements according to their established functions. The skilled artisan would be motivated to make the combination because upon reading Idra the artisan would recognize a way to limit excessive sales by the licensee by penalizing them for extra high sales volumes if the licensor is trying to limit supply to the market.

29. As to claims 9-11, Idra suggests or implies (pages 93-94):

- *wherein the penalty royalty is a third percentage of the cost of the component material of the products.*
- *wherein the penalty royalty is charged for each of the retained products that exceeds the manufacturer's share of the target division.*

Art Unit: 3695

- *wherein the penalty royalty is incrementally increasing in proportion to the number of products retained by the manufacturer.*

30. Claim 33 is rejected under the same reasoning as claim 8.

31. Claim 34 is rejected under the same reasoning as claim 9.

32. Claims 12-15, 35, and 36 are rejected under 35 U.S.C. 103(a) as being unpatentable over AAPA and Scherer, as applied to claims 1 and 30, further in view of Warren, et al., U.S. Pat. App. Pub. No. 2004/0098142.

33. As to claim 12:

- AAPA and Scherer disclose the limitations of claim 1.
- Neither AAPA nor Scherer specifically disclose penalties. But Warren discloses penalties for excess consumption (paragraph 0084):
 - further comprising adding a penalty mark-up to the mark-up rate when a licensor of the IP acquires a number of products that exceeds a licensor's share of the target division.
- It would have been obvious to one of ordinary skill in the art at the time of the invention to combine the royalty system of AAPA and Scherer with the penalty disclosed in Warren, because their combination is a predictable use of prior art elements according to their established functions. The skilled artisan would be motivated to make the combination because some manufacturing arrangements require planning to be within available capacity, and excess demand can require

Art Unit: 3695

stepwise capital investments to meet the higher capacity that may change the economics of the original agreement.

34. As to claims 13 and 14, Warren suggests that the penalty be based on each underlying unit of measurement (cost) (paragraph 0084):

- *wherein the penalty mark-up is a fourth percentage of the cost of the component material of the products.*
- *wherein the penalty mark-up is charged for each of the products that exceeds the licensor's share of the target division.*

35. As to claim 15, assuming that “penalty markup” refers to the accumulating total and not the per-unit markup, which is within a broad, reasonable interpretation of the claim language (read in light of the specification but not importing limitations into the claim language), charging a penalty on each additional unit past the agreed upon quantity, would naturally accomplish: *wherein the penalty mark-up is incrementally increasing in proportion to the number of products acquired by the licensor.*

36. Claim 35 is rejected under the same reasoning as claim 12.

37. Claim 36 is rejected under the same reasoning as claim 13.

Conclusion

Any inquiry concerning this communication or earlier communications from the examiner should be directed to David L. Wood whose telephone number is (571)270-3607. The examiner can normally be reached on Monday to Friday 7:30 - 5:00 EST.

Art Unit: 3695

If attempts to reach the examiner by telephone are unsuccessful, the examiner's supervisor, Charles Kyle can be reached on 571-272-6746. The fax phone number for the organization where this application or proceeding is assigned is 571-273-8300.

Information regarding the status of an application may be obtained from the Patent Application Information Retrieval (PAIR) system. Status information for published applications may be obtained from either Private PAIR or Public PAIR. Status information for unpublished applications is available through Private PAIR only. For more information about the PAIR system, see <http://www.uspto.gov>. If you have questions on access to the Private PAIR system, contact the Electronic Business Center (EBC) at 866-217-9197 (toll-free). If you would like assistance from a USPTO Customer Service Representative or access to the automated information system, call 800-786-9199 (in USA or Canada) or 571-272-1000.

/David L. Wood/
Examiner, Art Unit 3695
July 28, 2009

/Charles R. Kyle/
Supervisory Patent Examiner, Art Unit 3695